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## **SUSTAINABLE FOREST HOLDINGS LIMITED**

**永保林業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 723)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

The Board of Directors (the “**Board**”) of Sustainable Forest Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six months ended 30 September 2018 together with comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2018*

		<b>For the six months ended 30 September</b>	
		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	6	<b>287,482</b>	2,997
Cost of sales		<b>(268,281)</b>	–
Change in fair value of investment properties	8(c)	<b>5,400</b>	426
Other income	7	<b>223</b>	3
Other net gain	7	<b>10</b>	21,446
Administrative expenses		<b>(10,195)</b>	(5,294)
<b>Profit from operations</b>		<b>14,639</b>	19,578

\* *For identification purpose only*

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2018</b>	2017
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Finance income		<b>5</b>	293
Finance costs		<b>(646)</b>	(257)
Net finance (costs)/income	<i>8(a)</i>	<u><b>(641)</b></u>	<u>36</u>
Profit before taxation	8	<b>13,998</b>	19,614
Income tax	9	<u><b>(563)</b></u>	<u>(226)</u>
<b>Profit for the period</b>		<u><b>13,435</b></u>	<u>19,388</u>
<b>Attributable to:</b>			
Owners of the Company		<b>13,435</b>	19,388
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><b>13,435</b></u>	<u>19,388</u>
<b>Earnings per share</b>	<i>11</i>		
– Basic		<b>HK0.148 cent</b>	HK0.218 cent
– Diluted		<b>HK0.146 cent</b>	HK0.217 cent

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period</b>	<u>13,435</u>	<u>19,388</u>
<b>Other comprehensive income/(expense) for the period:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>1,479</u>	<u>(144)</u>
<b>Total comprehensive income for the period</b>	<u><u>14,914</u></u>	<u><u>19,244</u></u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	14,914	19,244
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>14,914</u></u>	<u><u>19,244</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		37	22
Intangible assets		8,072	8,072
Investment properties		37,000	31,600
Loan receivables	13	117,936	–
Finance lease receivables		2,037	–
		165,082	39,694
<b>Current assets</b>			
Inventories		1,035	–
Trade and other receivables	12	178,050	20,863
Loan receivables	13	84,492	105,468
Finance lease receivables		1,110	–
Pledged bank deposits		62,419	–
Cash and cash equivalents		28,553	24,436
		355,659	150,767
<b>Current liabilities</b>			
Trade and other payables	14	85,231	17,596
Loans and borrowings	15	82,200	4,020
Financial liabilities		–	10
Provision for taxation		1,403	1,025
		168,834	22,651
<b>Net current assets</b>		186,825	128,116
<b>Total assets less current liabilities</b>		351,907	167,810

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Loans and borrowings	15	–	6,828
Loan from a shareholder	16	<b>196,000</b>	20,000
Deferred tax liabilities		<b>2,714</b>	2,714
		<u>198,714</u>	<u>29,542</u>
<b>Net assets</b>		<u><b>153,193</b></u>	<u>138,268</u>
<b>Capital and reserves</b>			
Share capital	17	<b>125,068</b>	125,068
Reserves		<b>28,139</b>	13,214
<b>Total equity attributable to owners of the Company</b>		<b>153,207</b>	138,282
<b>Non-controlling interests</b>		<b>(14)</b>	(14)
<b>Total equity</b>		<u><b>153,193</b></u>	<u>138,268</u>

*Notes:*

**1. Corporate information**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries of the Company comprise money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), sustainable forest management, sales of timber and wooden products and leasing of properties.

**2. Basis of preparation**

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), applicable International Financial Reporting Standards (“**IFRSs**”) and International Accounting Standards (“**IASs**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

The condensed consolidated interim financial statements are denominated in Hong Kong dollars (“**HK\$**”). Unless otherwise specifically stated, all amounts are presented in thousand.

**3. Comparative financial information**

The Company’s auditor issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2018. The details of the disclaimer of opinion are set out in the Company’s annual report 2017/18.

**4. Summary of significant accounting policies**

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for investment properties and financial liabilities that are stated at fair values.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2018, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15, Revenue from Contracts with Customers
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfer to Investment Property
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position.

## 5. Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

Money lending: money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Sustainable forest management: sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of forestry and timber products.

Sales of timber and wooden products: sales of timber and wooden products including sawn timber products.

Leasing of properties: lease of premises to generate rental income and to gain from the appreciation in the property values in the medium to long term.

Segment results represent the profit/loss from each segment without allocation of central administration cost such as directors' emoluments, change in fair value of financial liabilities, unallocated corporate income and unallocated corporate expenses.

Segment assets include non-current and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets.

All liabilities are allocated to reportable segments other than financial liabilities, deferred tax liabilities, loan from a shareholder and unallocated corporate liabilities.

### Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segments is reported below:

	<b>For the six months ended 30 September 2018 (Unaudited)</b>				
	<b>Sales of</b>				
	<b>Money</b>	<b>Sustainable</b>	<b>timber and</b>	<b>Leasing of</b>	<b>Total</b>
	<b>lending</b>	<b>forest</b>	<b>wooden</b>	<b>properties</b>	<b></b>
	<b>HK\$'000</b>	<b>management</b>	<b>products</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment revenue</b>					
External sales/sources	<u>9,026</u>	<u>1,318</u>	<u>276,774</u>	<u>364</u>	<u>287,482</u>
<b>Results</b>					
Segment results	<u>8,963</u>	<u>222</u>	<u>6,853</u>	<u>5,620</u>	<u>21,658</u>
Unallocated corporate income					3
Unallocated corporate expenses					(7,673)
Change in fair value of financial liabilities					<u>10</u>
Profit before taxation					<u>13,998</u>
<b>Other segment information</b>					
Depreciation of property, plant and equipment	-	-	-	(4)	(4)
Interest expenses	-	-	(618)	(28)	(646)
Interest income	<u>-</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>5</u>



	<b>At 30 September 2018 (Unaudited)</b>				
	<b>Sales of</b>				
	<b>Money</b>	<b>Sustainable</b>	<b>timber and</b>	<b>Leasing of</b>	<b>Total</b>
	<b>lending</b>	<b>forest</b>	<b>wooden</b>	<b>properties</b>	
	<b>management</b>	<b>products</b>	<b>products</b>	<b>properties</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment assets</b>	<b>209,080</b>	<b>8,923</b>	<b>253,044</b>	<b>37,557</b>	<b>508,604</b>
					<b>12,137</b>
Unallocated corporate assets					<b>520,741</b>
<b>Segment liabilities</b>	<b>519</b>	<b>7,932</b>	<b>156,016</b>	<b>749</b>	<b>165,216</b>
Unallocated:					
– Deferred tax liabilities					<b>2,714</b>
– Loan from a shareholder					<b>196,000</b>
– Other unallocated corporate liabilities					<b>3,618</b>
					<b>367,548</b>

For the six months ended 30 September 2017 (Unaudited)

	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Sales of timber and wooden products <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>					
External sales/sources	758	1,864	–	375	2,997
<b>Results</b>					
Segment results	488	585	–	468	1,541
Unallocated corporate income					3
Unallocated corporate expenses					(3,376)
Change in fair value of financial liabilities					21,446
Profit before taxation					19,614
<b>Other segment information</b>					
Interest expenses	–	–	–	(257)	(257)
Interest income	287	6	–	–	293

At 31 March 2018 (Audited)

	Money lending <i>HK\$'000</i>	Sustainable forest management <i>HK\$'000</i>	Sales of timber and wooden products <i>HK\$'000</i>	Leasing of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	108,394	10,038	17,130	32,019	167,581
Unallocated corporate assets					22,880
					190,461
<b>Segment liabilities</b>	226	10,755	3,955	11,095	26,031
Unallocated:					
– Financial liabilities					10
– Deferred tax liabilities					2,714
– Loan from a shareholder					20,000
– Other unallocated corporate liabilities					3,438
					52,193

**6. Revenue**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income from money lending business	<b>9,026</b>	758
Licensing of harvesting rights	<b>1,318</b>	1,864
Sales of timber and wooden products	<b>276,774</b>	–
Leasing of properties	<b>364</b>	375
	<b>287,482</b>	<b>2,997</b>

**7. Other income and other net gain**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income</b>		
Net exchange gain	–	3
Others	<b>223</b>	–
	<b>223</b>	<b>3</b>
<b>Other net gain</b>		
Change in fair value of financial liabilities	<b>10</b>	21,446
	<b>10</b>	<b>21,446</b>

## 8. Profit before taxation

The Group's profit before taxation is arrived at after charging/(crediting):

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(a) Net finance costs/(income)</b>		
Finance income:		
Interest income from bank deposits	<u>(5)</u>	<u>(293)</u>
Finance costs:		
Interest expense on advances drawn on bill receivables discounted with full recourse	<b>618</b>	–
Interest expense on bank and other borrowings wholly repayable within five years	<u>28</u>	<u>257</u>
	<b>646</b>	257
	<b>641</b>	(36)
	<b><u>641</u></b>	<b><u>(36)</u></b>
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	<b>2,007</b>	2,691
Contributions to retirement benefits scheme	<u>70</u>	<u>77</u>
	<b>2,077</b>	2,768
	<b><u>2,077</u></b>	<b><u>2,768</u></b>
<b>(c) Other items</b>		
Change in fair value of investment properties	<b>(5,400)</b>	(426)
Cost of inventories	<b>268,281</b>	–
Depreciation of property, plant and equipment	<b>6</b>	–
Minimum lease payments under operating leases for land and buildings	<u>466</u>	<u>291</u>
	<b><u>466</u></b>	<b><u>291</u></b>

## 9. Income tax

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Current tax	563	–
– Under-provision in prior years	–	226
	<u>563</u>	<u>226</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5% (30 September 2017: 16.5%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. Dividend

The Board does not recommend the payment or declaration of any dividend for the six months ended 30 September 2018 (30 September 2017: nil).

## 11. Earnings per share

- (a) The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 11(b):

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit</b>		
Profit for the purpose of calculating basic and diluted earnings per share	<u>13,435</u>	<u>19,388</u>

(b) Weighted average number of shares

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>9,105,707</b>	8,910,242
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<b>106,283</b>	28,288
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>9,211,990</b>	8,938,530

For the six months ended 30 September 2018, as the exercise price of the warrants (30 September 2017: warrants and share options) exceeded the average market price of the ordinary shares of the Company during the period before they expired on 6 May 2018, they had no dilutive effect in calculating the diluted earnings per share.

**12. Trade and other receivables**

	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2018</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables ( <i>note (i)</i> )	<b>81,523</b>	8,147
Bill receivables discounted with full recourse ( <i>note (ii)</i> )	<b>82,200</b>	–
Interest receivables	<b>1,410</b>	955
Other receivables	<b>377</b>	1,873
Trade deposits ( <i>note (iii)</i> )	<b>11,651</b>	8,441
Other deposits and prepayments	<b>889</b>	1,447
	<b>178,050</b>	20,863

Notes:

(i) **Trade receivables**

The aging analysis of the trade receivables as of the end of the reporting period, based on invoice date, was as follows:

	At <b>30 September</b> <b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2018 <i>HK\$'000</i> (Audited)
0 – 30 days	75,247	8,147
31 – 90 days	468	–
Over 91 days	5,808	–
	<u>81,523</u>	<u>8,147</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 to 90 days after issuance. The Group seeks to maintain strict credit control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment loss for irrecoverable amount, if necessary.

As at 30 September 2018, aging analysis of trade receivables that are not impaired is as follows:

	At <b>30 September</b> <b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2018 <i>HK\$'000</i> (Audited)
Current	75,715	8,147
Less than 3 months past due	5,808	–
	<u>81,523</u>	<u>8,147</u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to an independent customer that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are considered fully recoverable.

**(ii) Bill receivables discounted with full recourse**

As at 30 September 2018, the amounts represented bill receivables discounted to bank with full recourse with a maturity period of less than 90 days. The Group recognised the full amount of the discount proceeds as liabilities as set out in note 15.

The following were the Group's financial assets as at 30 September 2018 and 31 March 2018 that were transferred to bank by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing. These financial assets were carried at amortised cost in the Group's condensed consolidated statement of financial position.

	At <b>30 September 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2018 <i>HK\$'000</i> (Audited)
Carrying amount of the transferred assets	<b>82,200</b>	–
Carrying amount of the associated liabilities	<b>(82,200)</b>	–
	<u>–</u>	<u>–</u>

**(iii) Trade deposits**

As at 30 September 2018, the trade deposits of HK\$11,651,000 (31 March 2018: HK\$8,441,000) were prepaid for the purchase of inventories in relation to the Group's sales of timber and wooden products business.



### 13. Loan receivables

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Fixed rate loan receivables	202,428	105,468
Less: Impairment allowance	—	—
	<u>202,428</u>	<u>105,468</u>
Analysed as:		
Current portion	84,492	105,468
Non-current portion	117,936	—
	<u>202,428</u>	<u>105,468</u>
Analysed as:		
Secured	140,428	35,468
Unsecured	62,000	70,000
	<u>202,428</u>	<u>105,468</u>

All loans are denominated in Hong Kong dollars. As at 30 September 2018, the loan receivables carrying interest rates ranging from 8.75% to 14% per annum (31 March 2018: 6.5% to 15% per annum).

Before granting loans to potential borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivables and management's judgment on factors including the current creditworthiness of, collateral provided by and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers the change in the credit quality of the loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

At 30 September 2018, loan receivables of HK\$140,428,000 (31 March 2018: HK\$35,468,000) were secured by the mortgage of customers' properties. At the reporting date, loan receivables of total carrying amount of HK\$202,428,000 (31 March 2018: HK\$105,468,000) were neither past due nor impaired and related to customers for whom there were no recent history of default.

At the end of each reporting date, the Group's loan receivables were individually reviewed and assessed for impairment. There was no impairment allowance recognised for the six months ended 30 September 2018 (30 September 2017: nil).

#### 14. Trade and other payables

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade payables ( <i>note</i> )	63,706	3,951
Other payables and accruals	21,525	13,645
	<u>85,231</u>	<u>17,596</u>

*Note:*

An aging analysis of the Group's trade payables as of the end of the reporting period, based on invoice date, is as follows:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
0 – 30 days	<u>63,706</u>	<u>3,951</u>

The average credit period is within 30 days for both periods.

#### 15. Loans and borrowings

	<i>Notes</i>	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Secured bank loans	<i>(i)</i>	–	10,848
Advances drawn on bill receivables discounted with full recourse	<i>(ii)</i>	<u>82,200</u>	<u>–</u>
Total		82,200	10,848
Less: amounts due within one year shown under current liabilities		<u>(82,200)</u>	<u>(4,020)</u>
Amount shown under non-current liabilities		<u>–</u>	<u>6,828</u>

*Notes:*

- (i) The secured bank loans were fully settled during the six months ended 30 September 2018. As at 31 March 2018, the Group's bank loans were secured by mortgage over the Group's investment properties of HK\$31,600,000 in Hong Kong.
- (ii) The amount represented the Group's borrowings secured by the bill receivables discounted to bank with full recourse (note 12), and the amount was repayable within one year.

## 16. Loan from a shareholder

The loan from a shareholder is unsecured, interest-free and repayable on twelve months from the date of the loan facility agreement, extendable for another twelve months and subsequent twelve month period(s), or such other date at the request of the Company and agreed by the shareholder in writing. On 16 November 2018, the shareholder confirmed that they will not request for repayment of the loan within twelve months from 30 September 2018 and correspondingly extend the loan facility to 30 September 2019.

## 17. Share capital

	Number of ordinary shares of HK\$0.01 per share '000	HK\$'000	Number of convertible preferred shares of HK\$0.01 per share '000	HK\$'000	Total HK\$'000
<b>Authorised:</b>					
At 1 April 2017 (Audited), 31 March 2018 (Audited), 1 April 2018 (Audited) and 30 September 2018 (Unaudited)	<b>30,000,000</b>	<b>300,000</b>	<b>27,534,000</b>	<b>275,340</b>	<b>575,340</b>
<b>Issued and fully paid:</b>					
At 1 April 2017 (Audited)	8,910,242	89,103	9,655,527	96,555	185,658
Conversion of convertible preferred shares ( <i>note (i)</i> )	195,453	1,954	(6,254,472)	(62,544)	(60,590)
<b>At 31 March 2018 and 1 April 2018 (Audited)</b>	<b>9,105,695</b>	<b>91,057</b>	<b>3,401,055</b>	<b>34,011</b>	<b>125,068</b>
Shares issued upon exercise of ordinary share warrants ( <i>note (ii)</i> )	15	-	-	-	-
<b>At 30 September 2018 (Unaudited)</b>	<b>9,105,710</b>	<b>91,057</b>	<b>3,401,055</b>	<b>34,011</b>	<b>125,068</b>

### Notes:

- (i) During the year ended 31 March 2018, an aggregate of approximately 195,453,000 ordinary shares of HK\$0.01 each of the Company were issued upon conversion of approximately 6,254,472,000 convertible preferred shares of HK\$0.01 each, pursuant to which approximately HK\$1,954,000 was credited to share capital and the balance of approximately HK\$60,590,000 was credited to share premium account.
- (ii) During the six months ended 30 September 2018, an aggregate of 14,502 ordinary shares of HK\$0.01 each of the Company were issued upon conversion of ordinary share warrants at subscription price of HK\$0.085 per share and at aggregate subscription price of approximately HK\$1,233, of which approximately HK\$145 was credited to share capital and the balance of approximately HK\$1,088 was credited to share premium account.

## 18. Litigations

### Service agreement

On 30 May 2010, Universal Timber Resources do Brasil Ltda. (“**UTRB**”) entered into a service agreement (“**Service Agreement**”) with F Um Terraplanagem (“**Terraplanagem**”). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of Brazilian Reais (“**R\$**”) 892,500. After signing the Service Agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold land of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R\$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Two witness hearings were held in 2016 and in March 2017, the court served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem’s claim in full. In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July 2017, UTRB filed an appeal against the court decision and is still awaiting the outcome of the appeal. The claim of approximately R\$1,291,000 (approximately HK\$2,498,000) has been included in other payables.

### Labour claim

During the financial year ended 31 March 2014, the Group revealed that a labour claim against UTRB for US\$600,000 was filed by Leandro Dos Martires Guerra (“**Leandro**”), a former director of UTRB. Without receiving any writ from the Monocratic Labour Court (the “**Original Court**”) by UTRB, the Original Court made an order to UTRB for paying Leandro the claim of US\$600,000. UTRB filed a legal appeal to the Northern Region Labour High Court (the “**Regional Labour High Court**”) after consulting legal counsels. During the year ended 31 March 2015, the Regional Labour High Court had given a favorable ruling on UTRB’s appeal, determining the annulment of Leandro’s claim due to irregularities in the writ of summons served to UTRB. As a result, the case had returned to the Original Court so the claimant could properly serve the writ of summons to UTRB which had happened. In March 2015, UTRB had presented its defense and a witness’ hearing was held in October 2015 and in November 2015, the Original Court had decided on the case in favour of UTRB dismissing all of Leandro’s claim and awarded Leandro approximately R\$60,000 regarding an undue reduction made in Leandro’s termination fees (the “**Labour Court Decision**”). In or about late November 2015, Leandro had petitioned to the court raising questions about certain topics in the said decision and requesting the court to clarify such points. As a consequence of that, Leandro filed an appeal seeking the reform of the Labour Court Decision. In August 2016, UTRB filed its response to Leandro’s appeal. In addition to respond to Leandro’s appeal, UTRB had also filed an appeal against the Labour Court Decision. In August 2017, the Regional Labour High Court ruled partially favorable to Leandro with amount subject to taxation by the court (the “**Regional High Court Decision**”). UTRB then had filed an appeal against the Regional High Court Decision which however was rejected. In October 2017, UTRB filed another appeal that contested the aforesaid rejection to the Labour Supreme Court and the closing arguments for the said appeal were submitted to the Labour Supreme Court in March 2018 and is still awaiting the outcome of the appeal. The claim of approximately R\$1,354,000 (approximately HK\$2,620,000) has been included in other payables.

## **EXTRACT OF THE REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The Board would like to draw your attention that the Company's auditor, Crowe (HK) CPA Limited, issued a qualified conclusion on the review of the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018. An extract of the review report which states the qualified conclusion is as follows:

### **“Basis for Qualified Conclusion**

Our audit opinion dated 28 June 2017 on the Group's consolidated financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group's future business plan based on which valuations for the intangible assets of HK\$9,841,000, the interest in subsidiaries of HK\$133,088,000 as at 31 March 2017, and whether the deferred tax liabilities of HK\$30,493,000, impairment of intangible assets of HK\$89,674,000, and impairment of amounts due from subsidiaries of HK\$15,805,000 recognised in the Group and Company level profit or loss for the year ended 31 March 2017 were free from misstatement.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the opening balances of the Group as at 1 April 2017, and the Group's loss and cash flows for the six months ended 30 September 2017 and the related disclosures in the condensed consolidated interim financial statements.

### **Qualified Conclusion**

Based on our review, with the exception for the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

As disclosed in the announcement of the Company dated 21 May 2018 (“**May 2018 Announcement**”), a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2018 (“**FY2018**”) is solely related to the opening balances and corresponding figures, which is a consequential effect resulting from disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2017 (“**FY2017**”) in relation to the Brazil forest business and assets (the “**Opening Balances Disclaimer**”). Accordingly, the auditor of the Company has issued a qualified conclusion on the comparative figures (i.e. figures for the six months ended 30 September 2017 as a consequence of the Opening Balances Disclaimer) for the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018. Furthermore, as stated in the May 2018 Announcement, the possible consequential effect on the Group's consolidated financial statements for the year ended 31 March 2019 (“**FY2019**”), resulting from the disclaimer opinion on the Group's consolidated financial statements for FY2018, according to Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements, would possibly be a modified opinion on the corresponding figures (i.e. figures for FY2018) of the Group's consolidated financial statements for FY2019.

The Audit Committee had critically reviewed the major judgemental areas relating to qualified conclusion on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018 and there was no disagreement between the Audit Committee and the management of the Company.

### **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

### **BUSINESS REVIEW**

For the six months ended 30 September 2018, the Group continued to principally engage in the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties.

The Group's revenue surged by 94.9 times to HK\$287,482,000 (30 September 2017: HK\$2,997,000) for the current period. The increase in the Group's revenue was mainly a result of (i) the tremendous growth in trade volume of the sales of timber and wooden products operation and (ii) the continuous expansion of the loan and finance lease portfolio of the money lending operation.

#### **Money Lending**

For the six months ended 30 September 2018, the Group's money lending business contributed a revenue of HK\$9,026,000 (30 September 2017: HK\$758,000) and a profit of HK\$8,963,000 (30 September 2017: HK\$488,000), representing respective increase of 10.9 times and 17.4 times when compared to the prior period. The substantial increases in revenue and profit of the business were mainly attributed to the continuous expansion of the loan and finance lease portfolio and the number of clients during the period as compared to the prior period. During the period under review, the Group granted new loans and finance lease in an aggregate principal amount of HK\$108,570,000 at interest rates ranging from 8.75% to 11.5% per annum, and tenors from 18 months to 36 months. At 30 September 2018, the loan and finance lease portfolio held by the Group amounted to HK\$205,575,000 (31 March 2018: HK\$105,468,000) with details as follows:

Type of loans/ finance lease	Approximate weighting to the carrying amount of the Group's loan and finance lease portfolio	Interest rate per annum	Maturity	Remarks
First mortgage loans	58%	8.75%-14%	Within three years	Loans are secured by properties located in Hong Kong
Second mortgage loans	10%	13.5%-14%	Within one year	Loans are secured by properties located in Hong Kong
Corporate loans	30%	8.75%-12.5%	Within one year	Loans are granted to listed companies in Hong Kong
Finance lease	2%	8.75%	Within three years	The finance lease is secured by a motor vehicle
<b>Total</b>	<b>100%</b>			

Before granting loans to potential borrowers, the Group uses credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

There was no default in repayments from borrowers during the current period and no impairment loss was recognised against the loan receivables.

It is the Group's plan to further expand its money lending business through focusing on developing the mortgage loan market covering residential and commercial properties with tenor of over one year, aiming to establish a stable income stream to the Group. The management is confident that this business will continue to perform well and there will be substantial progress in revenue and overall results of this business in FY2019.



## **Sustainable Forest Management**

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was still considered to be unfavourable to the Group. As a result, the Board decided to change the operation model of the Group's forest assets from own harvesting to licensing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential tenants to lease its forest assets. At the period end, the Group had accumulatively leased out approximately half of the forest areas of approximately 44,500 hectares owned by the Group.

During the period under review, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, was HK\$1,318,000 (30 September 2017: HK\$1,864,000), and profit achieved was HK\$222,000 (30 September 2017: HK\$585,000), decreased by 29% and 62% respectively when compared with the prior period. Such decreases were mainly due to the reduction in harvesting areas granted to the licensees of the harvesting rights by local forestry authorities for the current harvesting season and the depreciation of Brazilian Reais by about 14% during the current period. The Group will continue to solicit more tenants including sawmill owners so as to enhance the income stream of this business.

## **Sale of Timber and Wooden Products**

For the six months ended 30 September 2018, the revenue and profit of the Group's sales timber and wooden products business surged to HK\$276,774,000 (30 September 2017: nil) and HK\$6,853,000 (30 September 2017: nil) respectively. The significant progress of this business was largely rest on the contribution as well as timber trading experience and business network of the Group's senior management. The Group is now sourcing timber logs and wooden products from Indonesia, Central African Republic, Congo, Cameroon, Guinea Equatorial, Papua New Guinea, Malaysia, Myanmar and the United States and mainly supplying to customers in China. At the period end, the operation had entered into purchase contracts of over HK\$88,000,000 and sales contracts of over HK\$102,000,000 to be completed during October to December 2018. The Company is confident that this business will continue to perform well and there will be significant progress in revenue and overall results of this business in FY2019.



## **Leasing of Properties**

During the period under review, the leasing of properties business continued to contribute a stable recurring revenue of HK\$364,000 (30 September 2017: HK\$375,000) and profit of HK\$5,620,000 (30 September 2017: HK\$468,000) to the Group, which comprised an increase in fair value of the investment properties of HK\$5,400,000 (30 September 2017: HK\$426,000). At 30 September 2018, the Group's investment properties comprised three residential properties of well-known estates located in Tai Wai and Ma On Shan. During the current period, the rent of the three properties rose by 20% to 32% when new tenancies were entered, primarily owing to strong demand in residential leasing market. At 30 September 2018, the Group's investment properties were valued at HK\$37,000,000 (31 March 2018: HK\$31,600,000).

## **FINANCIAL REVIEW**

In order to cope with the Group's expanding operational scale and the continual business development of the Group, on 26 March 2018, Champion Alliance Enterprises Limited ("**Champion Alliance**"), a substantial shareholder of the Company, granted to the Company a loan facility for an aggregate principal amount of up to HK\$200,000,000 (the "**Loan Facility**") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and is mainly applied to the Group's money lending and timber trading businesses in light of their significant business developments.

Furthermore, for financing the timber and wooden products trading operation, the Group currently has a general trade facility and a back-to-back facility for issuance of letters of credit of up to HK\$75,000,000 and HK\$100,000,000 respectively (the "**Trade Facility**") from a well established bank in Hong Kong. The bank facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber trading business.

## **Liquidity and Financial Resources**

For the six months ended 30 September 2018, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks, Loan Facility from Champion Alliance and shareholder's funds. At 30 September 2018, the Group had current assets of HK\$355,659,000 (31 March 2018: HK\$150,767,000), including pledged bank deposits of HK\$62,419,000 (31 March 2018: nil) for issuance of letters of credit and cash and cash equivalents of HK\$28,553,000 (31 March 2018: HK\$24,436,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$168,834,000 (31 March 2018: HK\$22,651,000), was at a reasonable level of about 2.1 (31 March 2018: 6.7). At 30 September 2018, the Group's total assets increased by 173% to HK\$520,741,000 (31 March 2018: HK\$190,461,000). Backed by the Trade Facility from bank and the Loan Facility from Champion Alliance, the management is confident that the Group has sufficient working capital to cope with its significant business development and enlarged scale of operation.

At 30 September 2018, the equity attributable to owners of the Company increased by 11% or HK\$14,925,000 to HK\$153,207,000 compared to the last balance sheet date (31 March 2018: HK\$138,282,000). The increase was mainly due to the profit contributions from the Group's all four business segments, namely, money lending, sustainable forest management, sales of timber and wooden products and leasing of properties totalling HK\$21,658,000 (30 September 2017: HK\$1,541,000) which was partly offset by the increase in corporate expenses to HK\$7,673,000 (30 September 2017: HK\$3,376,000) mainly due to the expansion of the Group's business scale and the additional professional fees incurred for responding to Stock Exchange's enquiries.

At 30 September 2018, the Group's borrowings comprised banks borrowings of HK\$82,200,000 and loan from Champion Alliance of HK\$196,000,000, totalling HK\$278,200,000. The bank borrowings represented advances for bill receivables discounted to bank with full recourse to the Company, and the bill receivables were related to receivables arising from sales of timber logs. The bank borrowings bore interests at floating rates, secured by the relevant bill receivables and were repayable within one year or on demand. The loan from Champion Alliance is unsecured, interest-free and repayable twelve months from the date of agreement of the Loan Facility (i.e. 26 March 2018), the facility is extendable for another twelve months and subsequent twelve month period(s) or such other date at the request of the Company and being agreed by Champion Alliance in writing. On 16 November 2018, Champion Alliance confirmed that they will not request for repayment of the loan of HK\$196,000,000 within the twelve months from 30 September 2018 and correspondingly extend the loan facility to 30 September 2019.

The Group's gearing ratio expressed as a percentage of total borrowings of HK\$278,200,000 (31 March 2018: HK\$30,848,000) over equity attributable to owners of the Company of HK\$153,207,000 (31 March 2018: HK\$138,282,000), significantly increased to 182% at 30 September 2018 from 22% at 31 March 2018. Such increase was mainly due to the increase in unsecured interest-free loan from Champion Alliance from HK\$20,000,000 at 31 March 2018 to HK\$196,000,000 at 30 September 2018 and the increase in banking borrowings from HK\$10,848,000 at 31 March 2018 to HK\$82,200,000 at 30 September 2018.

With the amount of liquid assets on hand, the Trade Facility granted by the bank and the Loan Facility from Champion Alliance, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

### **Charge on Assets**

At 30 September 2018, bank deposits of HK\$62,419,000 were pledged to secure trade credit facilities granted by bank (31 March 2018: investment properties with carrying value of HK\$31,600,000 were pledged to secure mortgage loans from banks).

At 30 September 2018, bill receivables of HK\$82,200,000 (31 March 2018: nil) were pledged to a bank to secure advances drawn on the bill receivables.

### **Contingent Liabilities**

At 30 September 2018, except for the litigations as set out in note 18 to the results announcement above, the Group had no other significant contingent liability (31 March 2018: nil).

### **Litigations**

At 30 September 2018, there were aggregated claims of approximately HK\$5,118,000 (approximately R\$2,645,000) against the Group which had been provided in other payables, details of the ongoing litigations are set out in note 18 to the results announcement above.

### **Foreign Exchange Risk**

The Group mainly operates in Brazil and Hong Kong. During the six months ended 30 September 2018, the revenue, costs and expenses of the Group's operations were denominated mainly in Hong Kong dollars, Brazilian Reais, Euro dollars, United States dollars and Renminbi. The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. The Group is not subject to foreign exchange risk of United States dollars as it is pegged with Hong Kong dollars, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Brazilian Reais, Euro dollars and Renminbi.

In addition, some of the Group's assets are located in Brazil and denominated in Brazilian Reais while the Group's reporting currency is in Hong Kong dollars, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During the period under review, the Group had not experienced any significant exposure to exchange rate fluctuations of Euro dollars and Renminbi in light of their relative lower weightings to the Group's total transaction volume, and assets and liabilities in various currencies. As for the assets of the Group in Brazil, any foreign exchange gains or losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature, accordingly, the Group did not enter into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. The Group will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

## **OVERALL RESULTS**

For the six months ended 30 September 2018, the Group recorded a profit attributable to owners of the Company of HK\$13,435,000 (30 September 2017: HK\$19,388,000), and corresponding basic earnings per share of HK0.148 cent (30 September 2017: HK0.218 cent), and total comprehensive income attributable to owners of the Company of HK\$14,914,000 (30 September 2017: HK\$19,244,000). Nevertheless, owing to the absence of the one-off and non-cash gain of HK\$21,446,000 in relation to the change in fair value of financial liabilities previously recognised for the six months ended 30 September 2017, the profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2018 decreased as compared with the corresponding period in FY2017 in spite of the significant increase in the Group's revenue and operating profit for the current period.

## **PROSPECTS**

### **Existing Businesses**

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have been in full force exploring ways to improve the business and financial performance of the Group.

In order to cope with the Group's expanding operational scale and the continual business development of the Group, the Group has obtained the Loan Facility from Champion Alliance of up to HK\$200,000,000 and the Trade Facility from bank of up to HK\$175,000,000. The credit facilities obtained substantially enhance the Group's financial flexibility and strength to develop its businesses, in particular the money lending and timber and wooden products trading businesses.

For the six months ended 30 September 2018, the Group's revenue surged by 94.9 times to HK\$287,482,000 (30 September 2017: HK\$2,997,000) and recorded a profit attributable to owners of the Company of HK\$13,435,000 (30 September 2017: HK\$19,388,000). Both of the money lending and trading of timber and wooden products operation are progressing well. As at 30 September 2018, the money lending operation has a loan and finance lease portfolio of HK\$205,575,000 with interest rates ranging from 8.75% to 14% per annum. For the current period, the trading operation recognised sales of timber and wooden products totalling HK\$276,774,000 which exceeded the revenue recognised for the full year of FY2018 of HK\$16,196,000. Furthermore, at the period end, the trading operation had entered into purchase contracts of over HK\$88,000,000 and sales contracts of over HK\$102,000,000 to be completed during October to December 2018.

At the period end, the Group had accumulatively leased out approximately half of its forest assets in Brazil of 44,500 hectares. In addition, the rent of the Group's three investment properties rose by 20% to 32% when new tenancies were entered during the current period primarily owing to strong demand in residential leasing market.

### **New Project**

As mentioned in the Company's announcement dated 27 September 2018, in addition to carrying on the existing businesses, the Group has been exploring organic growth and vertical expansion opportunities. On 6 September 2018, a wholly owned subsidiary of the Company entered into a profit sharing and logging agreement (the "**Suriname Profit Sharing and Logging Agreement**") in respect of a forest located in the Republic of Suriname (the "**Suriname Forest Asset**"). The Suriname Forest Asset has a site area of approximately 400 km<sup>2</sup> and is estimated to have timber resources of approximately 17,200,000 m<sup>3</sup>. The Suriname Forest Asset is planned for a clear cut to prepare the site for a palm oil plantation for the owner after logging the existing timbers.

Trial sales for small lot of timber from the Suriname Forest Asset have commenced in October 2018 and the first phase of logging activities are anticipated to commence in the first quarter of 2019. The whole project is expected to be completed within eight years. The financial benefits to be derived from the Suriname Profit Sharing and Logging Agreement, such as revenue and profits, will be incorporated in the Group's result.

Overall speaking, in light of the significant business developments of the Group's money lending and sales of timber and wooden products operations and the new forestry project in Suriname to be undertaken by the Group, which are backed by the financial resources available under the Loan Facility from Champion Alliance and the Trade Facility from bank, the management is confident that there will be substantial enhancement of the Group's scale of operation, level of assets, revenue and results for FY2019 as compared to FY2018.

### **SUSPENSION OF TRADING**

References are made to the announcements of the Company dated 9 February 2018, 21 February 2018, 5 July 2018, 13 July 2018, 21 September 2018, 9 October 2018 and 12 October 2018 in relation to, among others, the Stock Exchange's decision to place the Company into the first delisting stage.

On 9 October 2018, the Company received a decision letter from the Listing (Review) Committee (the "**Decision Letter**") which upheld the decision of the Listing Committee and concluded that having assessed the Company's case under Rule 13.24 of the Listing Rules as set out in the Decision Letter, the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares. As a result, trading in the shares of the Company has been suspended commencing from 9:00 a.m. on 10 October 2018.

Pursuant to a further letter from the Stock Exchange dated 11 October 2018, the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules which will expire on 9 April 2019. The Company is required to submit a viable resumption proposal at least 10 business days (i.e. 25 March 2019) before the expiry of the first delisting stage to address the followings:

- (i) demonstrate its compliance with Rule 13.24 of the Listing Rules; and
- (ii) announce all material information for its shareholders and investors to appraise its position.

The Stock Exchange may modify or supplement the above resumption conditions if the Company's situation changes.

The Company is currently working with its financial adviser to address the concerns of the Stock Exchange and a resumption proposal will be submitted to the Stock Exchange as soon as practicable to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in this respect pursuant to the Listing Rules.

## **CORPORATE GOVERNANCE**

The Company had complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018.

## **AUDIT COMMITTEE**

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2018 have not been audited, but have been reviewed by the Audit Committee and auditor of the Company, Crowe (HK) CPA Limited, and are duly approved by the Board under the recommendation of the Audit Committee.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2018, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Sustainable Forest Holdings Limited**  
**Wang Jingyu**  
*Chairlady*

Hong Kong, 16 November 2018

*As at the date of this announcement, the Board comprises Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee as Executive Directors and Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung as Independent Non-executive Directors.*